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## Co-Tech Development Corp. | Asia Pacific

# Announces additional investment in Malaysia subsidiary

MORGAN STANLEY TAIWAN LIMITED+

Irene Yen
Equity Analyst
Irene.Yen@morganstanley.com +886 2 2730-2869

Howard Kao
Equity Analyst
Howard.Kao@morganstanley.com +886 2 2730-2989

MORGAN STANLEY ASIA LIMITED+

Andy Meng, CFA
Equity Analyst
Andy.Meng@morganstanley.com +852 2239-7689

Rachel L Zhang
Equity Analyst
Rachel.Zhang@morganstanley.com +852 2239-1520

## Key Takeaways

- We believe Co-Tech's expansion in SEA implies strong multi-year demand and close partnerships with key customers...
- ...and does not derail our expectation of a HVLP4 supply deficit from late 2026 onwards.
- Stay OW.

**What's new?** Co-Tech's board today approved an additional NT$1.4bn investment in its 100%-owned subsidiary, CoTech Development (Penang) Sdn. Bhd., to be financed with internal funds or bank loans. This follows the company's September 14 announcement that it would establish a subsidiary in Southeast Asia (note).

**Our view:** Our latest checks suggest that, due to strong demand from key customers, the Malaysia plant will primarily produce advanced HVLP copper foil rather than the RG-series foil originally planned. The new plant is also likely to be larger than Yunlin Plant III, where Co-Tech plans to add ~600 tons of HVLP3/4 capacity by end-2027. Volume production in Malaysia is unlikely to start before late 2028, so most of the ramp-up should fall in 2029, contributing to that year's earnings. On funding, our checks also suggest Co-Tech will finance further investment in the new plant's construction and equipment by issuing convertible bonds.

*See also our initiation report: Asia Pacific Technology: AI's Hidden Backbone (13 Sep 2026)*

**Co-Tech Development Corp. (8358.TWO, 8358 TT)**

**Greater China Technology Hardware | Taiwan**

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **In-Line** |
| Price target | NT$730.00 |
| Up/downside to price target (%) | 55 |
| Shr price, close (Oct 16, 2026) | NT$472.00 |
| 52-Week Range | NT$758.00-203.00 |
| Sh out, dil, curr (mn) | 252 |
| Mkt cap, curr (mn) | NT$118,744 |
| EV, curr (mn) | NT$118,410 |
| Avg daily trading value (mn) | NT$5,572 |

| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| EPS (NT$)** | 4.20 | 9.34 | 18.59 | 31.63 |
| Prior EPS (NT$)** | - | - | - | - |
| EPS (NT$)§ | - | 10.13 | 23.39 | 37.10 |
| Revenue, net (NT$ mn) | 7,880 | 11,115 | 15,849 | 22,496 |
| EBITDA (NT$ mn) | 1,538 | 3,027 | 5,934 | 10,070 |
| ModelWare net inc (NT $ mn) | 1,063 | 2,366 | 4,706 | 8,009 |
| P/E | 66.0 | 50.5 | 25.4 | 14.9 |
| P/BV | 9.3 | 12.7 | 9.2 | 6.4 |
| RNOA (%) | 19.4 | 32.7 | 54.3 | 76.1 |
| ROE (%) | 16.3 | 31.5 | 50.1 | 61.7 |
| EV/EBITDA | 45.4 | 39.0 | 19.6 | 11.2 |
| Div yld (%) | 0.5 | 0.4 | 0.9 | 1.9 |
| FCF yld ratio (%)** | (0.2) | 0.8 | 2.4 | 4.6 |
| Leverage (EOP) (%) | (4.4) | (8.5) | (19.3) | (31.0) |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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# Valuation Methodology and Risks

**Co-Tech Development Corp. (8358.TWO)**

Base case, derived from a residual income (RI) model. Key assumptions include a cost of equity of 9.3% (beta of 1.0, equity premium of 8.7% and risk-free rate of 1%), medium-term growth rate of 13%, and terminal growth rate of 3%.

**Risks to Upside**

- Stronger AI demand
- Slower-than-expected capacity expansion by competitors
- Faster-than-expected material upgrades
- Slower-than-expected CPO adoption

**Risks to Downside**

- Weaker AI demand
- Faster-than-expected capacity expansion by competitors
- Slower-than-expected material upgrades
- Faster-than-expected CPO adoption

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| | Coverage Universe | | Investment Banking Clients (IBC) | | | Other Material Investment Services Clients (MISC) | |
|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
| Overweight/Buy | 1599 | 43% | 455 | 48% | 28% | 783 | 44% |
| Equal-weight/Hold | 1563 | 42% | 394 | 42% | 25% | 763 | 43% |
| Not-Rated/Hold | 2 | 0% | 1 | 0% | 50% | 1 | 0% |
| Underweight/Sell | 570 | 15% | 96 | 10% | 17% | 227 | 13% |
| Total | 3,734 | | 946 | | | 1774 | |

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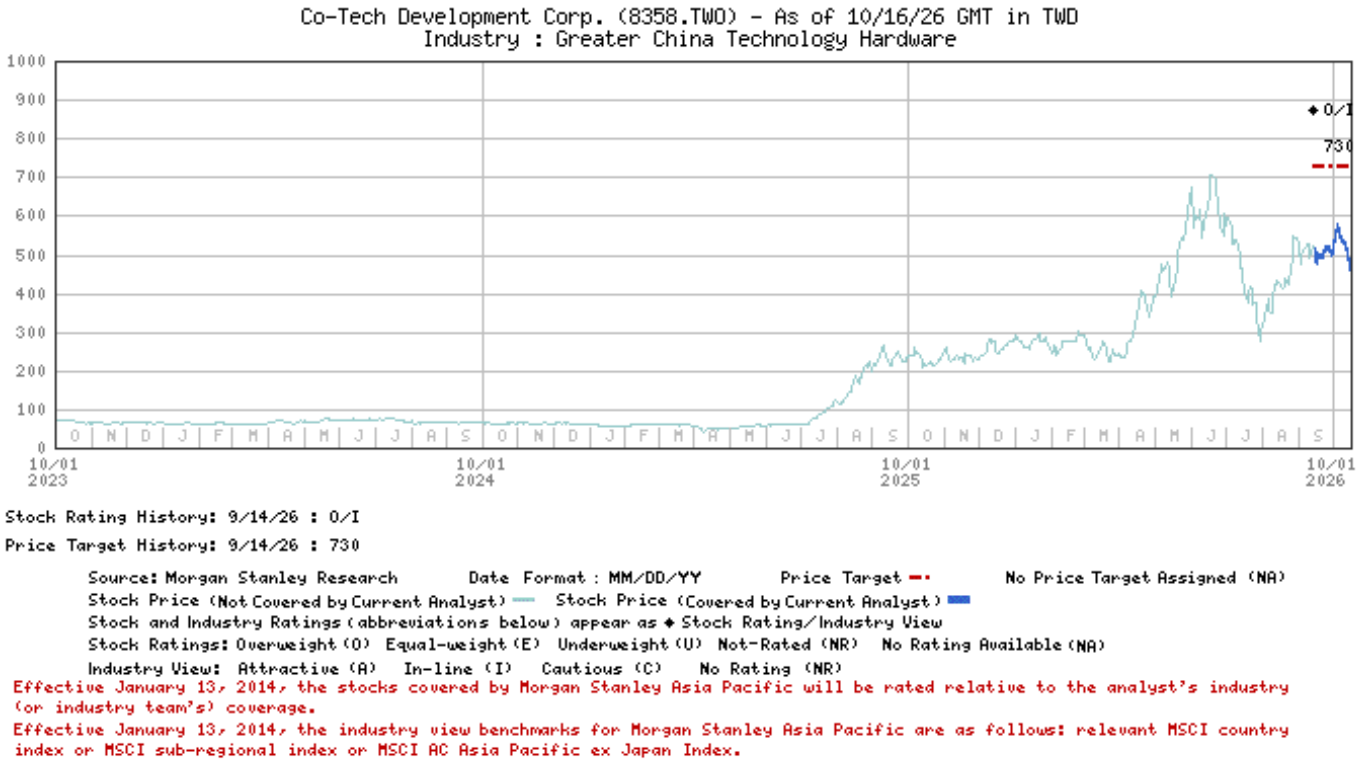
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## INDUSTRY COVERAGE: Greater China Technology Hardware

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (10/16/2026) |
|---|---|---|
| **Andy Meng, CFA** | | |
| AAC Technologies Holdings (2018.HK) | O (01/29/2024) | HK$35.70 |
| Accelink Technologies Co. Ltd. (002281.SZ) | U (05/12/2022) | Rmb133.75 |
| BYD Electronics (0285.HK) | O (04/28/2023) | HK$22.04 |
| China TransInfo Technology Co Ltd (002373.SZ) | E (07/18/2023) | Rmb7.16 |
| Dahua Technology Co. Ltd. (002236.SZ) | E (12/12/2024) | Rmb14.69 |
| Eoptolink Technology Inc Ltd (300502.SZ) | O (02/27/2026) | Rmb306.91 |
| Genius Electronic Optical Co. Ltd. (3406.TW) | E (10/13/2026) | NT$1,085.00 |
| GoerTek Inc (002241.SZ) | E (08/14/2026) | Rmb19.93 |
| Gosuncn Technology Group Co Ltd (300098.SZ) | U (11/07/2022) | Rmb3.98 |
| HIKVision Digital Technology (002415.SZ) | E (12/12/2024) | Rmb33.66 |
| Largan Precision (3008.TW) | O (10/13/2026) | NT$6,400.00 |
| LianChuang Electronic Technology Co Ltd (002036.SZ) | U (06/12/2024) | Rmb5.51 |
| Lingyi Itech Guangdong Co (002600.SZ) | U (04/23/2025) | Rmb10.01 |
| Lingyi Itech Guangdong Co (1688.HK) | O (08/14/2026) | HK$4.73 |
| Luxshare Precision Industry Co., Ltd. (2475.HK) | O (08/14/2026) | HK$46.70 |
| Luxshare Precision Industry Co., Ltd. (002475.SZ) | O (10/24/2016) | Rmb44.67 |
| OFILM Group Co Ltd (002456.SZ) | U (06/12/2024) | Rmb6.07 |
| Q Technology (Group) Company Ltd (1478.HK) | U (03/23/2026) | HK$4.70 |
| Quectel Wireless Solutions Co Ltd (603236.SS) | E (10/09/2024) | Rmb66.86 |
| Shanghai Conant Optical Co Ltd (2276.HK) | O (04/10/2026) | HK$35.16 |
| Shenzhen Transsion Holdings Co Ltd (688036.SS) | E (03/23/2026) | Rmb48.12 |
| Sunny Optical (2382.HK) | E (03/23/2026) | HK$57.70 |
| Suzhou TFC Optical Communication Co Ltd. (300394.SZ) | E (11/06/2025) | Rmb212.80 |
| Wingtech Technology Co Ltd (600745.SS) | U (05/18/2026) | Rmb13.72 |
| Xiaomi Corp (1810.HK) | O (04/14/2021) | HK$26.66 |
| Yangtze Optical Fibre and Cable JSC Ltd (601869.SS) | U (10/13/2021) | Rmb331.50 |

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|---|---|---|
| Yangtze Optical Fibre and Cable JSC Ltd (6869.HK) | O (07/15/2026) | HK$124.00 |
| Yongxin Optics Co Ltd (603297.SS) | E (11/15/2022) | Rmb91.96 |
| Zhejiang Crystal-Optech Co Ltd (002273.SZ) | O (11/15/2022) | Rmb19.40 |
| Zhongji Innolight Co Ltd (300308.SZ) | O (09/07/2026) | Rmb670.00 |
| Zhongji Innolight Co Ltd (3308.HK) | O (09/07/2026) | HK$805.00 |
| ZTE Corporation (0763.HK) | O (06/04/2026) | HK$19.47 |
| ZTE Corporation (000063.SZ) | E (06/04/2026) | Rmb27.10 |
| **Derrick Yang** | | |
| Accton Technology Corporation (2345.TW) | O (06/06/2024) | NT$1,980.00 |
| Advantech (2395.TW) | O (01/20/2021) | NT$685.00 |
| AirTAC International (1590.TW) | O (04/16/2025) | NT$1,155.00 |
| Asia Vital Components Co. Ltd. (3017.TW) | O (07/30/2024) | NT$3,315.00 |
| AU Optronics (2409.TW) | E (02/10/2026) | NT$35.90 |
| Auras Technology Co Ltd (3324.TWO) | E (05/04/2023) | NT$1,425.00 |
| Bizlink (3665.TW) | O (03/10/2025) | NT$2,015.00 |
| BOE Technology (000725.SZ) | O (09/06/2019) | Rmb5.13 |
| Chenbro (8210.TW) | O (07/23/2025) | NT$834.00 |
| Chroma Ate Inc. (2360.TW) | O (10/05/2021) | NT$2,000.00 |
| Delta Electronics Inc. (2308.TW) | O (07/13/2017) | NT$1,635.00 |
| E Ink Holdings Inc. (8069.TWO) | E (08/10/2026) | NT$155.00 |
| Ennostar Inc (3714.TW) | U (09/23/2022) | NT$63.40 |
| Fositek Corp (6805.TW) | O (06/25/2025) | NT$2,250.00 |
| Hiwin Technologies Corp. (2049.TW) | O (03/30/2026) | NT$311.00 |
| Innolux (3481.TW) | E (04/07/2025) | NT$48.25 |
| King Slide Works Co. Ltd. (2059.TW) | O (11/08/2023) | NT$9,955.00 |
| Lens Technology (300433.SZ) | E (07/22/2020) | Rmb25.26 |
| Lite-On Technology (2301.TW) | E (01/15/2025) | NT$264.50 |
| TCL Corp. (000100.SZ) | E (04/07/2025) | Rmb4.54 |
| Tianma Microelectronics (000050.SZ) | U (01/24/2018) | Rmb5.84 |
| **Howard Kao** | | |
| Acer Inc. (2353.TW) | U (04/23/2025) | NT$32.25 |
| Asustek Computer Inc. (2357.TW) | U (11/16/2025) | NT$994.00 |
| Catcher Technology (2474.TW) | U (11/17/2025) | NT$196.00 |
| Compal Electronics (2324.TW) | U (04/23/2025) | NT$36.70 |
| Elite Material Co. (2383.TW) | O (09/14/2026) | NT$5,165.00 |
| FIT Hon Teng Ltd (6088.HK) | O (11/03/2025) | HK$4.06 |
| Foxconn Industrial Internet Co. Ltd. (601138.SS) | O (07/10/2019) | Rmb47.78 |
| Giga-Byte Technology Co. Ltd. (2376.TW) | E (11/16/2025) | NT$357.50 |
| Gold Circuit Electronics Ltd. (2368.TW) | O (10/06/2022) | NT$1,245.00 |
| Hon Hai Precision (2317.TW) | O (03/15/2024) | NT$244.00 |
| Inspur Electronic Information (000977.SZ) | E (08/28/2023) | Rmb56.53 |
| Kingboard Laminates Holdings Ltd. (1888.HK) | O (09/14/2026) | HK$39.48 |
| LandMark Optoelectronics Corporation (3081.TWO) | E (03/26/2026) | NT$2,545.00 |
| Lenovo (0992.HK) | O (07/10/2026) | HK$28.06 |
| Lotes Co. Ltd. (3533.TW) | E (05/12/2025) | NT$1,805.00 |
| Nan Ya PCB (8046.TW) | O (02/23/2026) | NT$1,355.00 |
| Pegatron Corporation (4938.TW) | E (03/25/2026) | NT$102.00 |
| Quanta Computer Inc. (2382.TW) | O (05/01/2023) | NT$322.00 |
| Shengyi Technology Co Ltd. (600183.SS) | E (05/26/2022) | Rmb114.60 |
| Shennan Circuits Co Ltd (002916.SZ) | E (08/24/2023) | Rmb309.99 |
| Unimicron (3037.TW) | O (02/23/2026) | NT$1,090.00 |
| Visual Photonics Epitaxy Co Ltd (2455.TW) | E (09/11/2023) | NT$493.00 |
| Wistron Corporation (3231.TW) | O (07/12/2023) | NT$182.50 |
| Wiwynn Corp (6669.TW) | O (11/10/2025) | NT$1,845.00 |
| Yageo Corp. (2327.TW) | O (10/28/2025) | NT$567.00 |

| | | |
|---|---|---|
| Zhen Ding (4958.TW) | ++ | NT$557.00 |
| **Irene Yen** | | |
| Co-Tech Development Corp. (8358.TWO) | O (09/14/2026) | NT$472.00 |
| Taiwan Union Technology Corporation (6274.TWO) | O (09/14/2026) | NT$1,615.00 |

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